

Message Text

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E.O. 11652: N/A

TAGS: ECON AO

SUBJECT: ANGOLA'S GOVERNMENT ANNOUNCES ECONOMIC PLAN

1. BEGIN SUMMARY. ANGOLA'S RECENTLY ANNOUNCED ECONOMIC PLAN IS A MIXTURE OF WELL-WRITTEN COMMON SENSE, LONG OVERDUE REFORMS, CONTRADICTIONS, IMPOSSIBLE PRESCRIPTIONS, IRRELEVANCIES, FILLER AND NOT A SMALL AMOUNT OF RESIDUAL SALAZARIAN ECONOMICS. ITS MOST IMPORTANT FEATURES ARE: AT LEAST 51 PERCENT STATE OWNERSHIP OF ALL BANKS AND INSURANCE COMPANIES; 51 PERCENT STATE OWNERSHIP OF PRODUCING MINING AND PETROLEUM COMPANIES; CLOSER GOVERNMENT CONTROL OF IMPORTS, A 12 MILE TERRITORIAL SEA AND A CLAIM TO A 200 MILE ZONE FOR "EXPLORATION AND DEFENSE OF RESOURCES." ALTHOUGH MPLA CLAIMS - PROBABLY TRUTHFULLY - A PREDOMINANT ROLE IN SUPPLYING IDEAS FOR THE PLAN, APPARENTLY

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THE ACTUAL DRAFTING WAS LARGELY BY THE PORTUGUESE MINISTER OF

FINANCE, VASCO VIEIRA DA ALMEIDA. THE MINISTER HAS STATED BOTH PUBLICLY AND PRIVATELY THAT THE PLAN'S MAJOR GOALS ARE TO REASSURE THE PRIVATE SECTOR BY SUPPLYING "RULES OF THE GAME" AND ENCOURAGE VITAL TECHNICALLY TRAINED WHITES TO REMAIN HERE. UNFORTUNATELY, FOR REASONS EXTERNAL TO THE PLAN, THESE GOALS WILL NOT BE ACHIEVED TO ANY SIGNIFICANT DEGREE.

2. THE PLAN TAKES AS ITS MAJOR GOALS A) STATE INTERVENTION TO ACHIEVE "NATIONAL ECONOMIC INDEPENDENCE" BY STRONGLY ENCOURAGING AND DIRECTING INVESTMENT; B) RAPID ELIMINATION OF THE DOMINANCE OF "VITAL SECTORS" BY FOREIGN CAPITAL WHOSE PARTICIPATION IS (NEVERTHELESS) NOT EXCLUDED; C) PROTECTION OF THE "LEGITIMATE INTERESTS" OF THE PRIVATE SECTOR; AND D) THE "RELAUNCHING" OF THE ECONOMY.

3. FOLLOWING IS A SUMMARY OF EACH OF THE PLANS ELEVEN SUBSTANTIVE SECTIONS:

A) FINANCE. MINIMUM 51 PERCENT STATE OWNERSHIP OF BANKS AND INSURANCE COMPANIES PLUS A MINIMUM OF 70 PERCENT ANGOLAN OWNERSHIP. (THE STATE'S 51 PERCENT COUNTS TOWARD THE 70 PERCENT.) CREATION OF A NEW CENTRAL BANK WITH THE PRESENT BANK OF ANGOLA BECOMING A WHOLLY STATE-OWNED COMMERCIAL BANK. A BAN ON THE ESTABLISHMENT OF NEW BANKS. FINALLY, "A REVISION IN THE STRATEGY OF USING EXTERNAL CREDITS."

B) BUDGETARY POLICY. BALANCED (OR NEARLY BALANCED) BUDGET; INCREASED PUBLIC SECTOR PRODUCTIVITY. UNIFY THE BUDGET AND ELIMINATE "AUTONOMOUS" (I.E. TURST) FUNDS.

C) FISCAL POLICY. USE TAXATION TO "FIGHT INFLATION, PROMOTE SOCIAL JUSTICE, AND BETTER INCOME DISTRIBUTION, ENCOURAGE INVESTMENT, ELIMINATE DISTORTIONS AND INCREASE REVENUE." (COMMENT: THEY'RE OBVIOUSLY GOING TO HAVE SOME PROBLEMS DOING ALL THAT WITH ONE TAX SYSTEM.)

D) AGRICULTURE. THERE'S NO CLEAR THREAT OF LAND EXPROPRIATION IN THIS SECTION, JUST "REVISE THE POLICY OF OCCUPATION AND UTILIZATION OF LAND TO IMPROVE PRODUCTION." LIMITED OFFICIAL USE

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THE BALANCE OF THE SECTION MAKES ALL THE USUAL GOVERNMENTAL PROMISES TO AGRICULTURE.

E) NATURAL RESOURCES. FIFTY-ONE PERCENT STATE OWNERSHIP OF COMPANIES MINING MAJOR MINERALS INCLUDING OIL. (THE REQUIREMENT, HOWEVER, DOES NOT APPLY TO PROSPECTING AND SURVEY/RESEARCH COMPANIES.) RENEGOTIATION OF CONTRACTS.

F) COMMERCIAL POLICY. CREATION OF A STATE TRADING COMPANY TO OPERATE ALONGSIDE PRIVATE FIRMS IN THE IMPORT-EXPORT SECTOR. ALTERATION OF THE PRESENT IMPORT QUOTA SYSTEM. OBLIGATORY ASSOCIATIONS OF IMPORTERS TO INTERFACE WITH THE GOVERNMENT. CREATE A PUBLICLY-OWNED WHOLESALE SUPPLY NETWORK. LIMIT NUMBER OF SMALL MERCHANTS.

G) INDUSTRIAL POLICY. NOTHING OF SUBSTANCE. THE SECTION ATTEMPTS TO REASSURE THE PRIVATE SECTOR THROUGH PROMISES OF FINANCING, ETC.

H) FISHING. CREATE COOPERATIVES AND IMPROVE FACILITIES. ON INDEPENDENCE DAY ANGOLA'S MARINE BOUNDARIES WILL BE ENLARGED AND WILL CONSIST OF A 12 MILE TERRITORIAL LIMIT AND A 200 MILE ZONE OF EXPLOITATION AND CONTROL OF RESOURCES.

I) CIVIL CONSTRUCTION. EXPROPRIATE THE LAND NECESSARY TO BUILD LOW INCOME HOUSING. STATE ACQUISITION OF BANKRUPT CONSTRUCTION PROJECTS.

J) TRANSPORT/COMMUNICATIONS. NOTHING NEW IN THIS SECTION, IT IS BASICALLY A JUSTIFICATION FOR THE ALREADY RELEASED TRANSPORTATION/COMMUNICATIONS BUDGET.

K) LABOR. OBLIGATORY UNION MEMBERSHIP. ONE UNION PER DISTRICT IN EACH ACTIVITY OR PROFESSION. UNION INDEPENDENCE FROM POLITICS. FEDERATIONS ARE PERMITTED AND THE DOCUMENT MENTIONS THE POSSIBILITY OF A SINGLE CONFEDERATION. TWO YEAR CONTRACTS, PRICE INDEXING OF WAGES. POSSIBLE STANDARDIZATION OF NATIONAL MINIMUM AND MAXIMUM WORK DAY. LAW TO COVER EMPLOYERS' ASSOCIATION.

4. COMMENT: MODERATE IN TONE, ALTHOUGH UNCOMFORTABLY VAGUE ON LIMITED OFFICIAL USE

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SOME KEY ISSUES, THE PLAN WOULD BE A POSITIVE CONTRIBUTION TO RESTORING CONFIDENCE IF OTHER FACTORS SUCH AS VIOLENCE AND THE POLITICAL IMPASS DID NOT COMPLETELY OVERSHADOW IT IN IMPORTANCE. GIVEN ANGOLA'S HIGHLY FLUID POLITICAL SITUATION FEW WILL HAVE ANY CONFIDENCE THAT THE PRINCIPLES IN THE PLAN HAVE ANY LONG VALIDITY, ALTHOUGH AS I REPORTED IN LUANDA'S 570 MPLA PRESIDENT AGOSTINHO NETO LOOKS UPON THE DOCUMENT AS THE BASIC GUIDELINE FOR THE NEXT SEVERAL YEARS.

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